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A comparative analysis of Foreign Direct Investment in China and India

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1. Introduction

India and China have common giant markets, long histories, huge populations and growth rates. Both the countries have ancient and prestigious cultural heritage. Both the countries have embraced economic reforms and liberalization- China in 1970s and India in 1990s. Both are in a process of liberalizing their economy and they are open for FDI. FDI is considered as the catalyst to the market growth for the developing countries like India and China. Besides supplementing capital in the economy, FDI is a principal conduit of technology upgrade, transfer and managing skill exchange. As far as developing countries are considered, global competition for FDI is increasing. India and China, both are aiming for high share of the FDI. They are integrated with the global economy and they have open up their markets for international trade and investment flows.

2. Definition of FDI:

According to OECD, FDI reflects the objective of obtaining a interest by a resident entity in one country (‘direct investor’) in an entity resident in an economy other than that of the investor (‘direct investment enterprise’). Sodersten and Reed states that FDI is a essence of a bundle of capital, technology and management skills transmitted by multinational enterprises (MNEs) or transnational corporations (TNCs). Krugman and Obstfeld defined FDI as international capital flows in which a firm in one country creates or expand a subsidiary in another. FDI involves not only the transfer of resources but also the acquisition of control. According to Chinese counterpart, FDI is incorporated in three forms of direct foreign invested enterprise. They are equity joint venture (EJV), contractual joint venture (CJV), and wholly foreign owned venture (WFOE). They are usually established through mergers and acquisition with another company. EJV is a direct subsidiary (greenfield FDI) and buying a controlling stake of the public listed company. The new technical monitoring group on FDI, is the new method of compiling of FDI statistics has been adopted in India. It includes equity capital, reinvested earnings and other capital which are intra company loans. The change of industrial sector of India came during 1990s, when FDI inflows became the most important component of total capital flows to the developing countries. FDI not only adds to external financial resources for development but is more stable than other types of flows.

3. Theories of FDI

3.1. Monopoly Theory of Advantage:

3.1.1. Horizontal Foreign Investment: It is explained by the monopolistic advantage theory. The theory states that the investing firm possesses relative monopolistic advantage abroad against the completive local firms. The firm enjoys monopolistic advantage on two counts:

1. Superior knowledge and Advance Technology.
2. Economies of scale.

3.1.2. Superior Knowledge: It refers to all intangible skills-intellectual capital plus advanced technologic possessed by the firm that confer a competitive advantage. This permits the firm to create unique product differentiation. The marginal cost of transfer of its superior knowledge asset to foreign countries will be much low in comparison to the local firms which, need to invest the full cost to create such asset. Empirically, the monopolistic advantage suggested horizontal foreign direct investments of the US firms' knowledge technology intensive industries such as petroleum referring, pharmaceuticals, chemicals, transport equipment. It was also observed in the case of US firms in high-level marketing skill-oriented industries such as cosmetics and fast-food abroad.

3.2. Oligopoly Theory of Advantage:

Vertical FDI is explained by the oligopoly theory of advantage. The oligopolistic big firms tend to dominate in the global market on account of entry barriers such as: 10 points mistake. The big firms intend to retain their monopoly power by sustaining these entry barriers. They do not want new competitors to enter by allowing the market vacuum. They, thus, want growth maximization of the firm. A firm's relative rate of growth determines its relative size and relative market power. Through vertical direct foreign investment they trend to capture and enlarge market share into the global market. The oligopoly theory thus, explains defensive investment behaviour of a multinational firm. In short, monopolistic advantage theory explains first course of investment of a business firm in a foreign country. The oligopoly theory explains the defensive investment behaviour in terms of oligopolistic reaction to retain the monopoly power of the firm. Besides, thorough horizontal and vertical integration in FDI, the multi-national firm can yield the production-scale economies and comparative cost advantage resulting into over all competitive advantage. The oligopoly multi-national firm can internalise external economies of scale by advantage of backward integration to forward integration. For this reason, petroleum companies tend to land invested in crude oil refineries as well as marketing out-lets.

3.3. Product Life Cycle Model: Vermon (197l)'s Product Life Cycle Model (PLCM) can explain both trade and FDI. By adding a time dimension to the theory of monopolistic advantage, the PLCM can explain a firm's shift from exporting to FDI. Initially a firm when innovate a product, it produces at home enjoying its monopolistic advantage in the export market, thus, specializes and exports. Once the product becomes standardized in its growth product phase, the firm may tend to invest abroad and export from there to retain its monopoly power. The rivals from the home country may also follow to invest in the same foreign country's oligopolistic market. In short, a synthesis of international trade and investment theories can better explain the complexities of international business and marketing behavior.

3.4. Eclectic Theory: Eclectic theory, propounded by Dunning (1988), is a holistic, analytic approach for FDI and organizational issues of the MNCs relating to foreign production. Eclectic paradigm considers the significance of three variables:

1. Country-specific
2. Company-specific Internalization
3. Relating to trade and FDI.
4. The country-specific, i.e., location variables refer to:
   1. the geographical environment
   2. the political environment
   3. the government's regulatory framework
   4. taxation and fiscal policy
   5. production and transportation costs
   6. cultural environment
   7. Research and development advantages.
5. The company-specific paradigm relates to ownership and managerial variables:
   1. managerial effectiveness
   2. structure
   3. process
   4. Technology advantages.
6. The internalization variable refers to the firm's inherent flexibility and output cum marketing capabilities on:

Peter Drucker (1992), the management Guru, stated that: "it is simply not possible to maintain substantial market standing in an important area unless one has physical presence as a producer" in a global economy. FDI rather than foreign trade, in modern times, is a major driving Force and an engine of growth of an economy under global setting.

4. Trends and Patterns of FDI:

China

From 1979-2005, China has total no of 552,942 foreign invested companies with a foreign capital companies with cumulative of USD 1285.7 billion, in which USD 622.4 billion is effectively invested. FDI development in China is divided into three stages: 1979-1991, 1992-2001 and 2002-till date. From 1979, China adopted policy of reform rather than self reliance policy. FDI in China grew rapidly in the second half of 1980. In the second half, the growth rate turned out to be negative after Tiananmen massacre. In that period the growth rate reached 20%. In 1991 FDI soared to USD 4.36 billion which was largest FDI, a contracted FDI based on signed contracts but not the actual inflow. In 1992 China's reform and open up policy again increased. New investment categories like export-oriented & technology advanced projects were created. FDI increased to USD 11.7 billion and USD 58.1 billion from USD 4.3 billion (paid in FDI) and USD 11.97 billion (contracted FDI). This jump was more than 150% and 380%. Due to the financial crisis in 1997, the growth momentum was slowed down. In November 2001, due to WTO accession China received USD 52.7 billion in 2002. Due to this China became the world largest recipient of FDI. In 2002 china surpassed USA accounting for 9.88% global inflow of FDI.

India

Since after independence, there has been a long change in the Indian government policy. After independence, an anti FDI environment was prevalent and there were two factors. First was strong nationalistic sentiment in the wake of independence and secondly three fourth of narrow based industrial base was British owned. In that time FDI was discouraged by imposing severe limits on equity holdings by foreign investors and by restricting FDI to the production only of few reserved items. Attitude towards FDI started changing in 1980s by adopting policies of liberalization of industrial approval rules, incentives and exemption from foreign equity restriction. In 1991, economic reform was introduced by Indian government which affected pattern of FDI inflows. During 1985-90, FDI was less than USD 2 million per annum. In 1990 the stock of the FDI in 1990 was less than USD 2 billion, while inflow was USD 100 million. This data shows that before 1991, India was a minor player in global FDI flows. After 1991 the economy opened up to FDI policies became attractive. Table of FDI Inflow in India shows that it was high in 2001 with USD 4 billion. In 2004 India was 5th rank in the developing nation with FDI inflow of USD 4.6 billion. China, Hong Kong SAR, Singapore and Korea were larger than India. India was underperformer in global competition for FDI. It is estimated that on an average 35.8% of approved amount has flown in India from 1991-2000.

India's share of global flow of FDI is very small compared o China. The inflow of USD 6.6 billion in 2005 represented just 1.9 % of total inflows to the developed nations. China had USD 72.4 billion with a share of 21%. Indian statistics are believed to be underestimated as it excludes reinvested earnings, subordinated debts and overseas commercial borrowing which are included by some of the countries. Chinese statistics are believed to be overestimated with the real FDI inflows in view of round tripping of Chinese capital to take advantage of more favourable tax treatment of FDI. The round tripping of Chinese capital accounts to be 20% to 30%. China and India have different FDI strategies. So far the absolute amount of FDI going to China is still larger than India but the gap in growth rate is narrow.

5. Source of countries for FDI:

China

After 1979, more than 200 countries have invested in china. But in past most of the China's FDI came from Hong Kong or Macau, then USA and Japan. Now a days, South Korea and Taiwan have become important source of FDI in China due to the normalization of politics and economic relation. NIE (Newly Industrialized Economies) like Hong Kong, Taiwan, Singapore and South Korea are major investors in China which accounts for total 66.28% of the total accumulated FDI inflows. The industry involves small & medium sized businesses that are export oriented and involved in assembly and processing operation. Hong Kong is the most important investor amongst all. But now its share is declining from 70% in 1992 to 46.6% in 2005. China's success in industrial FDI is because of the role of Hong Kong. It is stated that Hong Kong is overstating for the large proportion of round tripping capital. USA and Japan have been far largest foreign investors among developed countries investing in China. They are representing 17.33% of the total China's FDI. As far as EU is concerned, UK, Germany, France and Netherland constitute 6.3% FDI in China which is very weak.

India

Mauritius is the top contributor with 37.25% FDI in India from 1995-2005. Thin is due to the double tax avoidance treaty entered with Mauritius and benefitted foreign investors. So other countries like USA invested through Mauritius to take the advantage of the tax treaty. USA has a contribution of 15.8% and Japan has 6.79%. EU countries like UK, Germany, France, Switzerland, and Netherland have contribution of 21.7%

5.1. Source countries of FDI inflows to China & India

China is having clear concentration of FDI inflows. Maximum Chinese FDI comes from Chinese owned or overseas Chinese owned companies located in Hong Kong, Taiwan, Singapore and other NIEs. The increased FDI from this region is due to relative geographical and cultural proximity of China and other East Asian countries. Although projects from these countries are mainly in labour intensive one, small in scale, low level capital and little technology transfer. As far as India is concerned, EU is the major source of FDI inflow to India until 1990. But it declined from 66% in 1990 to 31% by 1997. USA emerged as the major player with share of 13.75% in 1997. India is also getting large share of FDI from developed countries like USA, Japan and EU which accounts for 44.3%. In comparison, China has a share of 23.63% and EU constitutes the world's largest base for FDI. There is a weak FDI position of EU in China and it has affected the competitiveness of the EU companies in the Asian markets.

5.1.1. Sector Composition:

China

Around 65-70% investment comes in manufacturing sector. Next highest share is in real estate which is 9-11%. Apart from these two sectors, FDI in China is scattered in all the sectors. The concentration of investment in these sectors is very low. In manufacturing sector, FDI is concentrated in electric and electronic equipment sector, textile sector, chemical and pharmaceutical sector. There is a shift expected from manufacturing to service sector because of liberalization due to the China's membership in the WTO. The liberalization is in financial sector, telecommunication and distribution. These sub sectors are expected to have increased FDI.

India

FDI inflow in India has largest beneficiary in electrical equipment which is a great achievement for the Indian economy. Other industries are transportation, service sector and telecommunication and their share is 30%. Comparing FDI before and after liberalization, manufacturing sector has declined due to the opening ups in infrastructure and service sectors. The preference pattern of FDI is shifting from heavy to light industries.

FDI in China and India have opened gates for new industries and due to this there is increased investment in service sector. The share of manufacturing sector is decreasing. In the manufacturing sector, both the countries saw steady upgrade of FDI inflow from labour intensive to capital and technological intensive industries and from traditional to information technology related industries. In coming years also both the countries will keep on attracting FDI inflows.

5.1.2. Regional Distribution:

China

The geographical distribution of FDI in China is uneven and shows the liberalization, deregulation and government policy. The Chinese reformers have targeted coastal areas as the region for the economic development and established four special economic zones (SEZ) in Guangdong and Fujian Province. The analysis says that Guangdong and Jiangsu are the major locations for FDI inflow. Other locations for FDI inflow are Shanghai, Shandong and Fujian. There are two things which prompted MNC's to invest in China and they are development of cities with infrastructure and easy access to markets. Other things which contributed for FDI inflow are close geographical proximity and tight cultural and linguistic link between south China and other overseas Chinese communities in Hong Kong.

India

The FDI inflow in India is mainly in economically rich states like Maharashtra, Delhi, Tamil Nadu, Karnataka and Andhra Pradesh. They accounted for more than 66.65% on FDI inflow into India. This shows the economic inequality that exists among the different states in India. The reason for FDI inflow in these rich states are infrastructure availability, business managers perception of investment climate, educational qualification of manufacturing workers and productivity level of manufacturing industries.

Locational benefit is the prime consideration for foreign investors for FDI inflow in India and China. In China there is uneven regional economic development due to the selective economic policy. The forces of convergence are very weak in both of the countries and states are showing divergence rather than convergence. The geographical distribution of FDI in two countries is due to the local government's efforts like equity capital components increasing industrial clusters. Indian economist Kurian states that the rich states are able to attract private investment in both domestic and foreign to improve their development potential because of better socio economic infrastructure. Both the countries are concerned about growing polarization of the country which is damaging national unity and harmony. There is wider geographical spread of capital across the country are active. In China west development strategy was introduced in 1998 to reduce this gap. In India, the 10th five year plan addresses the need to ensure social justice and balanced development for all the states.

6. FDI Determinants:

A determinant of FDI is presented by PESTEL (political, economic, social, technological, environmental and legal) analysis of variables that have direct or indirect impact on FDI inflow.

6.1. Political Environment:

India is a largest democracy and China is still regarded as communist regime where there is only one party rule. So we can say that there is a comparison between world largest democracy and world largest autocracy. Both the countries have different political system but both have soviet styled planned economies. Both the countries have gone significant reforms in 1980 and 1990's. As China modernizes, it encourages free trade and capitalist based economic model and as India modernizes it is getting its democracy under control for the betterment of nation. India is 25 years behind China in terms of launching of reform. China opened its door for FDI in 1979 and since then progressively liberalizing its policy regime. While in India, FDI were introduced in 1991 which aimed at reducing the government control over domestic economy, increasing the role of private sector, redirecting scarce resources of public sector to areas were private sector is unlikely to enter, and opening up the economy to trade and FDI. India is such a country where political system is dominated by political leaders, who base their appeal on castemanship, regional factionalism and personal greed's. Here businessmen cannot become political leader. There can be no meaningful national FDI promotion campaign in India due to fragmentation in the political party life. Due to this the FDI volume of India is one-tenth of China during that period.

Another reason for China's success was its strategy to create special economic zones (SEZ) and coastal economic zones. The decision makers in China creates environment for the FDI inflow in the domestic economy for coastal areas of eastern and the south provinces of China. So the attraction of FDI inflow in China is due to SEZ and CEZ. Indian SEZ was launched in 2000 which is after 15 years of China. India has not employed fiscal incentives like tax concessions to attract FDI. Only in 2004 India initiated the reform of Foreign investment promotion board and established the Indian Investment Commission to increase FDI in India. There is one field where India is better than China and that is software technology where FDI inflow is more. Software development in China is in the negative side. Till mid of 1990, Beijing could not build sophisticated software production capabilities and even Chinese government provided little support. India's development in software technology was started by Rajiv Gandhi though liberal economic policies in 1984. Government policies can play an important role attracting FDI inflow in country. There should be some specific policy for foreign investor like SEZ in China.

6.2. Economic Development:

China's GDP adjusted for purchasing power parity is ranked 2nd after USA and India ranked 4th after Japan. In the last two decades, China's annual average growth rate was above 9% and annual average inflation rate was below 3%. Chinese economy continues its development and total growth exceeded 10%. India's growth jumped from 3% in 1950-79 to between 5-6% during 1980-2004. So, if both the countries sustain their growth in the future then them likely to attract more FDI inflow.

Data on comparison of the above economic indicators states that India's current state of level is what China was in 1990. Hence there is a 10 year gap between China India's economic developments. This shows that economic reforms were initiated much earlier than India and proceeded at a faster pace over last three decades. But in certain fields India is better than China like IT industry. As far as economic determinants are concerned, China does better than India. China's total and per capita income is higher and making it more attracting for FDI inflow. Its higher literacy rates and educational levels shows that its labour is more skilled, making it more attractive to efficiency seeking investors.

6.3. Society:

The different FDI theories do not take into consideration of social factors. Social factors are considered by MNCs and they have tremendous impact on the cause and effects of FDI inflows. The FDI gap between two countries is partly a tale of two Diasporas. China has large and wealthy Diaspora that has long invested its money. In 1990, more than half of the China's FDI came from overseas Chinese sources. Foreign investment in Dongguan, Guangdong Province is stemmed from overseas Chinese entrepreneurs. The competitive advantage for overseas Chinese funded companies in Dongguan is their close relationship with local government officials. Indian diaspora is that it less willing to invest again. Till now India has accounted for less than 10% of the foreign capital flowing to India. Indian government has noticed that problems and organizations like (TiE) The Indus Entrepreneurs ae established to provide platforms for formation for social networks. Another thing this is personal relationship cultivated with local officials considered by foreign investors from Hong Kong and Taiwan. Some open minded local government officials have established communication with foreign investors. It is regarded as advantage for foreign investors as it reduces the information costs for understanding new policies. In India, foreign investor says that India's vast market place and skilled workplace do not compensate for poor infrastructure and corrupt bureaucracy.

6.4. Technology development:

Due to the better English language skills, India has an advantage in technical manpower particularly in information technology. China is a key centre for hardware design and manufacturing and India specializes in IT services, call centres, R&D and business back office operations. So India and China are different markets from foreign investor's perspective. China is regarded as the fastest growing consumer market and global manufacturer and India is considered as world class service provider in business processes and ICT enabled services. There is also awareness in the global investment community that India's service oriented development over last two decades has bypassed is weakness like poor quality physical infrastructure. One day India's soft skill and technology will overtake Chinese manufacturing industry.

6.5. Business Environment:

The overall business environment continues to exercise a major influence on the magnitude of FDI inflows, for its signals to potential investors the growth prospects of host country. So giving attention to overall business environment and climate will increase FDI inflow. According to Global Business Policy Council (GBPC), both India and China is the centre of the FDI as they are considered as 1st and 2nd most attractive FDI locations globally. This is the fourth year that China is in top position and India rose from 3rd to 2nd place surpassing USA. The extension opinion survey of 2004 put China at the top position with score of 2.03 for having best environment, USA at 2nd with score 1.45 and India at 3rd place with score 1.40. The world investment report of UNCTAD says that those who were surveyed regarded China as the most attractive location with 55% of the CEO surveyed were willing to invest the most in China followed by India. This survey covered 1000 largest MNC's of the world. These 1000 MNC's contribute to more than 70% of total FDI flows and represent all major regions and sectors. The survey included the impact of political, economic and regulatory changes in the countries by global investing community and preferences of decision makers of these MNC's. The confidence index ranges from 0 to 3 again both the countries are considered as most favoured destination. The world development report 2005 says that for government at all level, the top priority should be to improve the investment climate environment of their societies. For that they need to understand their policies and behaviours shape the opportunities and incentives facing firms. From the above information we can say that in overall business environment, India is not much behind the China.

6.6. Legal System:

The legal system of China lacks well structured and transparent system. The clear and strict hierarchical system of norms does not really exist now. The different ministries and department of central and local government have issued much diverse regulation which results in the failure of the foreign companies to find out which regulation exactly apply to them. But India has strong legal and accounting system, help it to attract more capital from western countries. So the absence of reliable legal and secured property rights and vast differences in culture put China below par performance in attracting FDI from western countries. India's long history of private property, democracy and similar law system with western countries prove an attraction for potential foreign investors. Without the proper property right and contract enforcement in a country, no one can do business in country even if the economic policy is liberal. In China intellectual property rights (IPR) is improved one. But full IPR regulation is weak in China. According to software piracy study of business software alliance, China has a very high software piracy rate (82% in 2006). But India's rate is little lower (71%). The introduction of patent law has removed a major obstacle to attract FDI in high tech industries. According to Business software Alliance (BSA) which tracks the software piracy of more than 100 countries, India is in conformity with the required standards of WTO in 2002. But now a day's both the countries have tightens their enforcement of IPR with improved judicial performance of contracts and other business codes which include counterfeiting.

7. Conclusion:

According to the PESTEL analysis, we have find that FDI favours to China over India in the following areas like pro business government, overall business environment, incentives provided by country, quality of infrastructure and macroeconomic management. India has better English speaking workforce, software talents, rule of law, cultural affinity and regularity environment. Although given the choice to investor to switch, investor will switch to India for FDI because relative FDI attraction is now becoming better balanced. There are multiple factors rather than single factor that influence the volume and pattern of FDI inflow which includes political and social stability, sound macroeconomic environment, well developed soft and hard infrastructure, competitive supporting industries, availability of skilled labour and open trade and FDI regime. These are fundamental factors that create an environment that enables foreign firms to enter an economy and contribute to its growth and development. Another important conclusion is the changes in a country's FDI policy regime are not enough to ensure the desired inflow of FDI. In the FDI policy, the policy coherence, consistency, transparency and effective implementation matters. So both the countries should streamline its bureaucracy, simplify approval and remove restrictions on foreign ownership so as to create a environment of certainty and friendly policy towards FDI inflow. Another major part of conclusion is the study about the recent improvement in the image of India in the global investing community will affect FDI flow to China. Although it will affect little and that to the part of FDI which is originated from MNCs which is small portion of total FDI going to China. Due to the 2008 Beijing Olympic games, 2010 shanghai world expo, rising FDI services and high tech manufacturing may increase the FDI growth in India. As far as India is concerned, in spite of lot of opportunities available for attracting FDI, several challenges remain to meet for the economy to sustain higher growth path and enhance competitiveness in order to position itself in the global competition for FDI inflow.

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Tables:

Table 1:FDI Inflows in China 1979-2005

Year	Contracted FDI[3]	Paid-in FDI[4]
1979-1991	52.669	13.018
1992	58.124	11.008
1993	111.36	27.515
1994	82.680	33.767
1995	91.282	37.521
1996	73.276	41.726
1997	51.003	45.257
1998	52.102	45.462
1999	41.223	40.318
2000	62.380	40.715
2001	69.192	46.878
2002	82.768	52.7
2003	115.07	53.505
2004	153.479	60.63
2005	189.065	72.406
Total	**1285.673**	**622.426**

Sources: Bureau of Foreign Capital, the Ministry of Foreign Trade and Economic Cooperation (the Ministry of Commerce since March, 2003)

Table 2: No. of projects from 1979 -2010

Year	No. of Projects	Realized FDI Value
Total	710747	11078.58
1979-1982	920	17.69
1983	638	9.16
1984	2166	14.19
1985	3073	19.56
1986	1498	22.44
1987	2233	23.14
1988	5945	31.94
1989	5779	33.93
1990	7273	34.87
1991	12978	43.66
1992	48764	110.08
1993	83437	275.15
1994	47549	337.67
1995	37011	375.21
1996	24556	417.26
1997	21001	452.57
1998	19799	454.63
1999	16918	403.19
2000	22347	407.15
2001	26140	468.78
2002	34171	527.43
2003	41081	535.05
2004	43664	606.30
2005	44019	724.06
2006	41496	727.15
2007	37892	835.21
2008	27537	1083.12
2009	23442	940.65
2010	27420	1147.34

Table 3:FDI Inflows in India, August 1991-2005

Financial Year (April-March)	Amount of Paid-in FDI[5]
August 1991-March 2000	15,483
2000-2001	4,029
2001-2002	6,130
2002-2003	5,035
2003-2004	4,673
2004-2005	5,535
2005-2006(up to Dec.2005)	4,719
Total	**45,604**

Sources: Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, India

Table 4:Comparison of FDI inflows to China and India

(Amount in US $millions)

	1990-2000 (annual average)	2002	2003	2004	2005
China	30104	52743	53505	60630	72406
India	1705	5627	4585	5474	6598
Developing economies	134670	163583	175138	275032	334285
World	495391	617732	557869	710755	916277

Source: UNCTAD, *World Investment Report 2006* (www.unctad.org/wir)

Table 5:Top ten source countries (regions) of FDI in China

(Amount in US $billions)

Rank	Sector	Paid-in FDI	%age of total china FDI
1	Hong Kong	288.948	46.62%
2	Taiwan	62.119	9.98%
3	United States	54.385	8.74%
4	Japan	53.445	8.59%
5	South Korea	31.318	5.03%
6	Singapore	28.956	4.65%
7	United Kingdom	13.287	2.13%
8	Germany	11.517	1.85%
9	France	7.47	1.2%
10	Netherlands	6.967	1.12%

Sources: China Foreign Investment Report 2006, Ministry of Commerce

Table 6:Top ten source countries (regions) of FDI in India

(Amount in US $millions)

Rank	Sector	Paid-in FDI	%age of total India FDI
1	Mauritius	11,115.47	37.25%
2	United States	4,912.75	15.8%
3	Japan	2,059.33	6.79%
4	Netherlands	1,987.18	6.65%
5	United Kingdom.	1,911.77	6.26%
6	Germany	1,338.88	4.27%
7	Singapore	962.41	3.14%
8	France	772.99	2.55%
9	South Korea	748.98	2.28%
10	Switzerland	613.58	1.98%

Sources: Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, India. *Foreign Direct Investment Policy, April 2006*

Table 7:Sector-wise FDI inflows in China, 2000-2005

(Amount in US $millions)

	2000	2001	2002	2003	2004	2005
National total	4071481	4687759	5274286	5350467	6062998	6032469
Agriculture	67594	89873	102764	100084	111434	71826
Mining and quarrying	58328	81102	58106	33635	53800	35495
Manufacturing	2584417	3090747	3679998	3693570	4301724	4245291
Electric Power, gas and water production and supply	224212	227276	137508	129538	113624	139437
Construction	90542	80670	70877	61176	77158	49020
Transportation, storage, postal, and telecommunications services	101188	90890	91346	86737	127285	181230
Wholesale and retail trade and catering services	85781	116877	93264	111604	158053	159871
Banking and insurance	7629	3527	10665	23199	25248	21969
Real estate	465751	513655	566277	523560	595015	541807
Other sectors	386039	393142	463481	587364	499657	586523

Sources: China Foreign Investment Report 2006, Ministry of Commerce; China Statistical Yearbook, National Bureau of Statistics

Table 8:Sector-wise FDI inflows in India, Aug. 1991-2005

(Amount in US $millions)

Rank	Sector	Amount of FDI inflows	%age of total India FDI
1	Electrical Equipment[6]	4,885.88	16.5%
2	Transportation Industry	3,143.09	10.34%
3	Service Sector	2,971.66	9.64%
4	Telecommunications	2,890.12	9.58%
5	Fuels[7]	2,521.49	8.41%
6	Chemicals (Other than Fertilizers)	1,899.51	5.86%
7	Food Processing Industry	1,173.18	3.67%
8	Drugs and Pharmaceuticals	948.54	3.18%
9	Cement and Gypsum Products	746.79	2.54%
10	Metallurgical Industries	627.32	2.12%
11	Consultancy Services	444.48	1.59%
12	Miscellaneous Mechanical & Engineering	435.45	1.51%
13	Textiles	430.07	1.32%
14	Trading	374.23	1.16%
15	Paper and Pulp	363.46	1.1%

Sources: Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, India. *Foreign Direct Investment Policy, April 2006*

Table 9:Province-wise FDI inflows in China, 1979-2005

(Amount in US $billions)

Rank	Province	Amount of FDI inflows	%age of total India FDI
1	Guangdong	151.657	24.36%
2	Jiangsu	89.848	14.44%
3	Shanghai	55.394	8.90%
4	Shandong	52.932	8.50%
5	Fujian	47.851	7.68%

Sources: China Foreign Investment Report 2006, Ministry of Commerce

Table 11:Comparison of software industry in China and India (Year 2005)

(Amount in US $millions)

	Software Industry FDI inflows	Software industry Exports
China	932	3590
India	1451	10000

Source: China Foreign Investment Report 2006, Ministry of Commerce; NASSCOM, India[10]

Table 10:Region-wise FDI Equity inflows in India, 2000-2006

(Amount in US $millions)

Rank	Regional office	State covered	Amount of FDI inflows	%age of total India FDI
1	Mumbai	Maharashtra, Darda &Nagar Haveli, Daman & Diu	7,486.6	24.91%
2	New Delhi	Delhi, Part of Up and Haryana	7,045	23.42%
3	Chennai	Tamil Nadu, Pondicheery	2,295	7.64%
4	Bangalore	Karnataka	2,052	6.82%
5	Hyderabad	Andhra Pradesh	1,157	3.86%
6	Ahmedabad	Gujarat	970	3.26%

Sources: Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, India. *Fact Sheet on FDI, from Aug.1991-Dec.2006*